

CALENDAR ITEM

C42

MINUTE ITEM
This Calendar Item No. C42
was approved as Minute Item
No. 42 by the State Lands
Commission by a vote of 3
to 0 at its 12/17/92
meeting

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12/17/92
W 40657 PRC 7670
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APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(144 ACRES UNDER FALSE RIVER AND THE BED OF PIPER SLOUGH)
CONTRA COSTA COUNTY

APPLICANTS:

Rio Delta Resources, Inc.
P. O. Box 965
Healdsburg, California 95448

Russell H. Green Jr
P. O. Box 965
Healdsburg, California 95448

AREA, TYPE LAND AND LOCATION:

The State land includes about 144 acres in the bed of False River and in the bed of Piper Slough, situated adjacent to Little Franks Tract, Contra Costa County (see exhibits "A" and "B" for the description and approximate location of the State land). Russell H. Green, Jr. and Rio Delta Resources, Inc. (Rio Delta) have completed the application requirements for a negotiated subsurface (no surface use) State oil and gas lease for the State lands.

Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land would be protected from drainage and could be developed pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease. Under the terms of

the lease, the Commission would approve all directional drilling into the State land from county-approved drill sites and any pooling or unitization of the State land.

Rio Delta has a drill site and/or oil and gas leases on all of the private property adjacent to the State land and has a permit from the Contra Costa County Community Development Department (Lead Agency) to drill an oil and gas well on the private property adjacent to the State land (see Exhibit "C" for permit requirements).

AUTHORITY:

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into compensatory drainage agreements or oil and gas leases on State land if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State land, the Commission determines the State land to be unsuitable for competitive bidding because of such factors as its small size or irregular configuration or its inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional mineral interest in the land, or the Commission determines the agreement or lease to be in the best interests of the State.

Because the State land is a waterway and because Rio Delta controls, by lease, all of the drill sites adjacent to the State land and has county (Lead Agency) approval to drill for oil and gas near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met; that is, the State land is unsuitable for competitive bid leasing because surface locations for oil and gas operations (drill sites) are not available and a negotiated subsurface (no surface use) oil and gas lease will provide protection from wells drilled on private property which may drain oil and/or gas from the State land.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty (20) years and for so long thereafter as oil or gas is produced in paying quantities from the leased lands, or so long as the lessee is diligently conducting, producing, drilling,

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deepening, repairing, redrilling or other necessary lease or well maintenance operations in the leased lands.

2. No right to use any portion of the leased lands to a depth of 500 feet for drilling locations, producing facilities or related oil and gas operations.
3. All development of the leased lands shall be accomplished from approved surface locations on adjacent lands.
4. All drilling into the leased lands shall be by slant drilling from surface locations on adjacent lands and shall be on a course and to an objective approved in writing by the State prior to the commencement of drilling.
5. Compliance with all applicable laws, rules and regulations of federal, state and local governments and receipt of all necessary permits or approvals prior to slant drilling into the leased lands.

NEGOTIATED LEASE PROVISIONS:

1. Drilling term of three (3) years. However, if all or part of the leased lands is included in a Commission-approved pooled area or unit, then drilling operations on and production from the pool or unit will be deemed to be drilling operations on and production from the pooled or unitized leased lands.
2. Annual rental of \$40 per acres (\$5,760 for 144 acres).
3. Royalty of thirty percent (30%) on gas and oil.
4. Performance bond or other security in the sum of \$10,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee, processing costs, first year's rental and duly executed State Oil and Gas Lease (Negotiated-Subsurface-Royalty) have been received and are on file in the Commission's Long Beach office.

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STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

AB 884:

04/27/93.

OTHER PERTINENT INFORMATION:

1. CEQA Guidelines Section 15378(a)(3) identifies an activity involving the issuance to a person of a lease as a "project". However, if the site of the project or area in which the major environmental effects will occur is located on private property within the County, that County will have jurisdiction by law and will be the Lead Agency over the project pursuant to CEQA Guidelines Section 15366.
2. The Contra Costa County Community Development Department is the Lead Agency for approving applications for oil and gas well permits in the County. Development of oil and gas wells within the unincorporated area of the County is governed by Chapter 88-14 of the Ordinance Code. Before any new oil and gas activity is established, Chapter 88-14 requires the granting of a land use permit.

On January 16, 1992, the County Community Development Department approved Application for Oil and Gas Well Permit (File No. WD-10-91) to permit Rio Delta to develop oil and gas wells on private property near the State land (see Exhibit "C" for permit requirements). The project is a permitted activity and is governed by Section 88-14.602 of the County Ordinance Code. The project site is certified as being located in a permitted area. For purposes of complying with the California Environmental Quality Act, the County has adopted a categorical exemption (Class 3) for this project.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code

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Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 4, Minor Alterations to Land, 14 Cal. Code Regs. 15304.

Authority: P.R.C. 21084, 14 Cal. Code Regs. 15300.

4. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370, et seq. but will not affect those significant values because the surface of the State land is not included within the project site.

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Application for Oil and Gas Well Permit (File No. WD-10-91)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATIONS TO LAND, 14 CAL CODE REGS. 15304.
2. FIND THAT SIGNIFICANT ENVIRONMENTAL VALUES ORIGINALLY IDENTIFIED PURSUANT TO P.R.C. 6370, ET SEQ., ARE NOT WITHIN THE PROJECT SITE AND WILL NOT BE AFFECTED BY THE PROPOSED PROJECT.
3. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET; THAT IS, A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE IS THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT "A" AND THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND BECAUSE WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.

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4. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH RIO DELTA RESOURCES INC. AND RUSSELL H. GREEN, JR. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 144 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$40 PER ACRE (\$5,760 FOR 144 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 30 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.

5. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

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EXHIBIT "A"

W 40657

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of False River and in the bed of Piper Slough, Contra Costa County, California, more particularly described as follows:

BEGINNING at a point of intersection of the common boundary between the lands described in that certain Partnership Grant Deed to Basic Resources recorded on August 8, 1985, in Book 12449 at pages 191-193, and the lands described in that certain Grant Deed to Alfred R. Pereira, et ux, recorded on August 25, 1988, in Book 14538 at pages 985-990, with the Ordinary High Water Mark along the north bank of False River; thence from said point of intersection and said point of beginning, along the southwesterly prolongation of the aforesaid common boundary to the intersection with the Ordinary High Water Mark on the south bank of False River; thence easterly along said Ordinary High Water Mark of said south bank of False River to the junction with the Ordinary High Water Mark of the west bank of Piper Slough; thence southerly along said Ordinary High Water Mark of said west bank of Piper Slough to the junction with Taylor Slough; thence N 45° 00' 00" E to the Ordinary High Water Mark of the east bank of Piper Slough; thence northerly along said Ordinary High Water Mark of said east bank of Piper Slough to the junction with the Ordinary High Water Mark of the south bank of False River; thence easterly along said Ordinary High Water Mark of said south bank of False River to the intersection with the southerly prolongation of the common boundary between the lands described in that certain Grant Deed to Michael Skarry, et ux, recorded on February 12, 1987 in Book 13446 at page 266, and the lands described in that certain Quit Claim Deed to Peter L. Townsend, et ux, recorded on February 3, 1977 in Book 8189 at page 500; thence northerly along said southerly prolongation to the intersection with the Ordinary High Water Mark on the north bank of False River; thence westerly along said Ordinary High Water Mark of said north bank of False River to the point of beginning of this description.

END OF DESCRIPTION

REVISED MAY, 1992 BY LLB.

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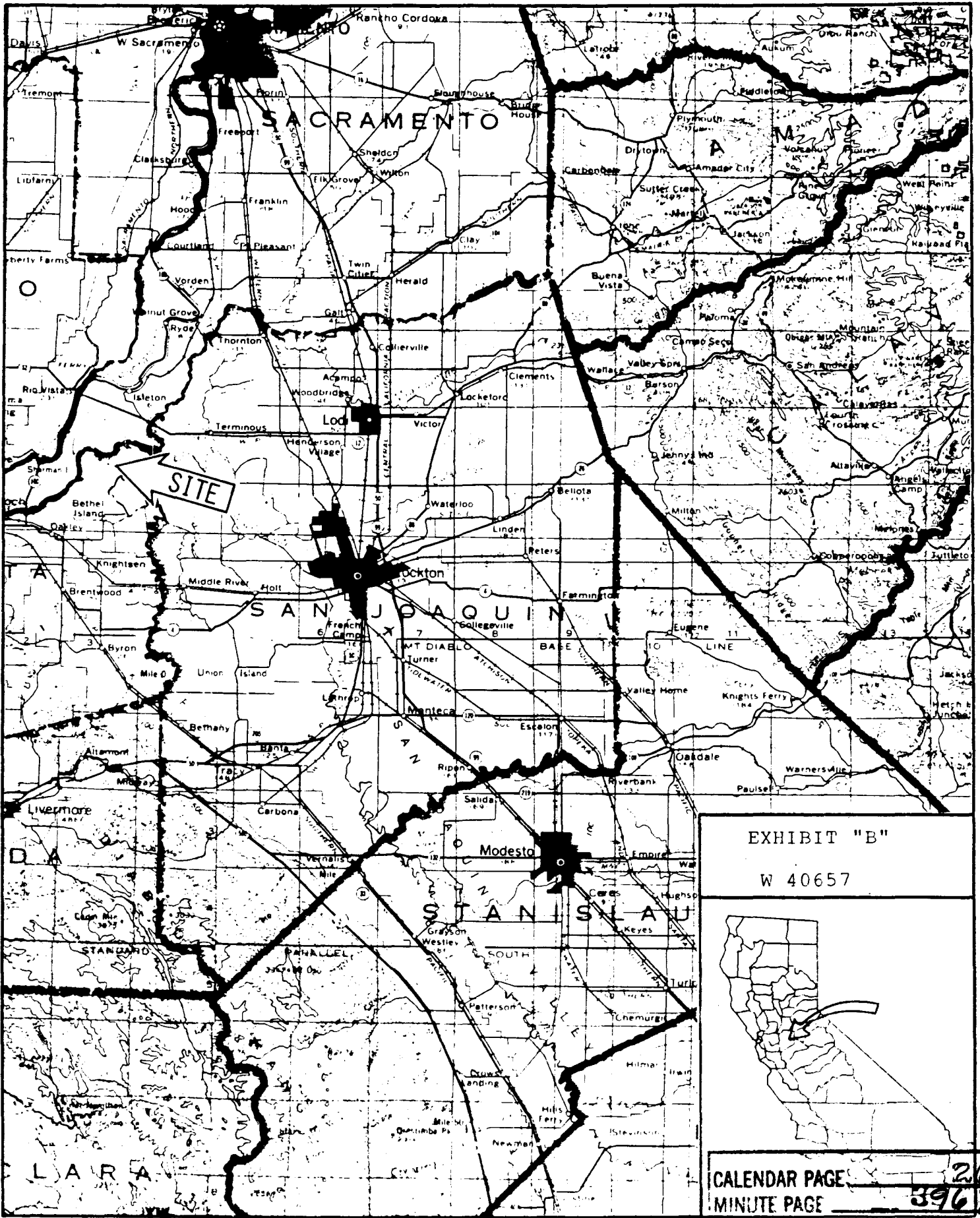


EXHIBIT "B"
W 40657



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Community Development Department

County Administration Building, North Wing
P.O. Box 951
Martinez, California 94553-0095

Phone:

Contra Costa County



Harvey E. Bragdon
Director of Community Development

EXHIBIT C

W 40657

Application for Oil and Gas Well Permit

Development of Oil and Gas Wells within the unincorporated area of the County is governed by Chapter 88-14 of the Finance Code, unless the project is located on land that is zoned Planned Unit Development (P-1) in which case the activity is subject to the review requirements of that district.

Where any new oil and gas activity is established, Chapter 88-14 requires the granting of a land use permit unless the subject parcel is certified by the County as lying within an area qualifying for administrative approval.

File No.

WD-10-91

APPLICANT	OWNER
Name: <u>R. H. Green</u>	Name: <u>Delta Properties, Inc, T.V. Halsey, President</u>
Address: <u>P. O. Box 965</u>	Address: <u>Jersey Island, Star Route</u>
City, State: <u>Healdsburg, CA 95448</u>	City, State: <u>Stockton, CA 95219</u>
Phone: <u>(707) 433-1352</u>	Phone: <u>(415) 684-2318</u>

<p>OBJECT INFORMATION</p> <p>Name of Well(s): <u>R.H. Green - Delta Properties</u></p> <p>Tractor's Parcel Number: <u>27 - 01: - 113-1</u></p> <p>Total Parcel Area: <u>534.21</u> Acres</p> <p>Section: <u>5</u> Township: <u>2N</u> Range: <u>R3E</u> MDB&M</p> <p>This project involves:</p> <p><input checked="" type="checkbox"/> development of a new well site.</p> <p><input type="checkbox"/> modifications to an existing well.</p> <p>Please use this space if necessary to further describe the project. _____</p> <p>Access via <u>Jersey Island Road and</u></p> <p><u>easterly Levee Road to Jackass Point.</u></p>	<p>OTHER SUBMITTAL ITEMS TO ACCOMPANY APPLICATION</p> <p><input type="checkbox"/> VICINITY MAP</p> <p><input type="checkbox"/> SITE PLAN, of the entire parcel drawn to scale showing the location of existing improvements, the proposed well site and the access road.</p> <p><input type="checkbox"/> EXPLORATION AND PRODUCTION PAD LAYOUTS identifying all wellhead equipment.</p> <p><input type="checkbox"/> A STATEMENT describing the location of any nearby residences or other sensitive activities near the well site(s) and detailing the measures to be taken to protect these activities from excess noise, dust, light, glare, odor and other objectionable elements associated with the proposed project.</p> <p><input type="checkbox"/> \$100 FILING FEE (If the project is determined to be subject to the land use permit requirement, this fee can neither be refunded nor credited to the land use permit application fee.)</p> <p style="text-align: center;">DELTA PROPERTIES, INC.</p> <p>Owner's Signature: <u>T.V. Halsey Pres</u></p> <p><input type="checkbox"/> In lieu of owner's signature, a copy of the lease agreement is attached.</p>
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APPLICANT MUST READ AND SIGN. FOR OFFICE USE ONLY

STANDARD CONDITIONS OF APPROVAL FOR OIL AND GAS WELL PERMITS

The proposed uses shall be established in accordance with the plans submitted with the application as approved by the Contra Costa County Zoning Administrator.

Drilling operations shall conform to the regulations of the California Division of Oil and Gas designed to prevent damage to natural resources.

After drilling is complete, all drilling muds, soil, brines, waste water and other waste fluids shall be removed from the site and disposed of in compliance with State and County regulations. Sumps may remain with the approval of the Zoning Administrator if they are essential to the operation of a producing well.

Any proposed sumps shall be lined so as to prevent percolation of fluids into the sub-strata. Derricks shall be removed when wells are brought into production.

If wells are abandoned, they shall be sealed in accordance with Division of Oil and Gas regulations, and the drilling or production facilities shall be removed. The site shall be restored to the conditions that existed prior to the commencement of drilling activity.

No toxic substances shall be used in violation of the requirements of either the California Department of Health Services or the Division of Oil and Gas.

The drilling operation shall be confined to as small an area as practical.

The applicant shall comply with the requirements of the local fire protection district.

I hereby certify that I have the authority to make a foregoing application; I have read this application and that all information is true and correct to the best of my knowledge; that all drilling activities undertaken will be carried out in compliance with the regulations of Chapter 88-14 of Contra Costa County Zoning Code, and that I agree to conform fully to this Oil and Gas Well Permit and all of the above conditions.

Russell H. [Signature]
Applicant's Signature

Dec 16 '91
Date

9/86

DATE FILED 12-16-91

Application Accepted by [Signature]

Receipt No. 0611894

THE PROJECT IS A PERMITTED ACTIVITY.

The project is governed by Section 88-14.602 of the County Ordinance Code. The project site is certified as being located in a permitted area.

THE PROJECT SHALL COMPLY WITH THE ADDITIONAL CONDITIONS LISTED ON THE ATTACHMENT.

Granting of this permit does not release the permittee from complying with all other county, state or federal laws.

Failure, neglect or refusal to exercise this permit within a period of one (1) year from the date of granting thereof, shall automatically cause the same to become and remain null and void. After the one-year permit period has expired, none of the equipment listed below may be installed until a new permit application is filed and issued.

- compressor unit
- oil storage tank
- water condensation tank

For purposes of compliance with the California Environmental Quality Act, the County has issued this project as:

CATEGORICAL EXEMPTION (Class 3)

NEGATIVE DECLARATION

A copy of this permit must be retained on site during drilling and production operations.

TONY BRUND
Staff Person (Print)

[Signature]
Signed

1-16-92
Date

Community Development Department
County of Contra Costa

LAND USE PERMIT APPROVAL IS REQUIRED.

The above described project is not exempt from the land use permit requirement for one or more of the following reasons. The project site is:

zoned for urban development or other non-exempt district.

(zoning district) See attached zoning map.

designated for urban uses on the County General Plan.

(land use designation)

(General Plan) (Adopted)
See attached General Plan map.

within 1000 feet of an urban land use designation.

(General Plan) (Adopted)
See attached General Plan map.

within 1000 feet of a City Boundary. See attached base map.

Before the proposed activity may be undertaken, a land use permit must be granted. Please complete the attached application and prepare the indicated documents including notification materials. We ask you to hand deliver these items together with the indicated filing fee to this department for processing.

N/A
Staff Person (Print)

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Signed MINUTE PAGE Date 1-16-92
Community Development Department
County of Contra Costa

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